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**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY**

In re:

RITE AID CORPORATION, *et al.*,

Debtors.

Chapter 11

Case No. 23-18993 (MBK)

(Jointly Administered)

**CONDITIONAL OBJECTION AND RESERVATION OF RIGHTS
OF THE STATE OF CALIFORNIA, ACTING THROUGH THE CALIFORNIA
DEPARTMENT OF JUSTICE, OFFICE OF THE ATTORNEY GENERAL,
DIVISION OF MEDI-CAL FRAUD AND ELDER ABUSE
AND LOYD F. SCHMUCKLEY JR., AS RELATOR, REGARDING
DISTRIBUTIONS TO UNSECURED CREDITORS UNDER CHAPTER 11 PLAN**

The State of California, acting through the California Department of Justice, Office of the Attorney General, Division of Medi-Cal Fraud and Elder Abuse (“California”) , together with Loyd F. Schmuckley Jr., as Relator (“Mr. Schmuckley” or “Relator”)¹ in the action captioned

¹ Mr. Schmuckley is a member of the Official Committee of Unsecured Creditors and makes this objection solely in his individual capacity.

United States, et al., ex rel. Loyd F. Schmuckley Jr. v. Rite Aid Corporation, et al., Case No. 2:12-CV-1699 (the “FCA Action”), hereby submit this conditional objection and reservation of rights in relation to the proposed treatment and distributions to unsecured creditors in the Second Amended Joint Chapter 11 Plan of Reorganization (the “Plan”), filed by debtor Rite Aid Corporation, et al. (“Debtors”). In support thereof, California and Mr. Schmuckley respectfully state as follows:

1. California and the Relator conditionally object, and reserve their rights to object, to any distribution to California under the Plan that would require California to be a shareholder of New Rite Aid² or owner of New Common Stock, in contravention of the California Constitution. Article XVI, Section 6 of the California Constitution prohibits the State of California, or any political subdivision thereof, “to subscribe for stock, or to become a stockholder in any corporation whatever” other than certain limited situations related to irrigation districts. Cal. Const. art. XVI, § 6. Similarly, under Article XVI, Section 17 of the California Constitution, the State of California may not “subscribe to, or be interested in the stock of any company, association, or corporation” other than holding capital stock of any mutual water company. Cal. Const. art. XVI, § 17.

2. In the Plan, the Debtors have stated that they intend to satisfy general unsecured claims, in part, through the issuance of beneficial interests in the GUC Equity Trust. *See* Plan, Art. III.B. The GUC Equity Trust Assets will consist of 10% of the New Common Stock. *Id.* at Art. I, ¶¶ A.171 and 174. Holders of Allowed General Unsecured Claims will be entitled to a pro rata share of the GUC Equity Trust Assets, subject to the terms and conditions of the Plan,

² Unless otherwise stated, all defined terms herein shall have the same meaning as the defined terms in the Plan.

the GUC Equity Trust Agreement and other documents. *Id.* at ¶ A.177. California, as the holder of a general unsecured \$58 million claim against debtors Rite Aid Corporation, Thrifty PayLess Inc., and Rite Aid Hdqtrs. Corp. (as defined in Claim Nos. 7119, 7199, and 7220 filed on behalf of California and Mr. Schmuckley, the “Rite Aid Parties”), is in the class of unsecured creditors that would be entitled to a pro rata share of the GUC Equity Trust Assets, a portion of which would be further distributable to the Relator pursuant to that certain Settlement Agreement, dated October 13, 2023, between California, the Rite Aid Parties, and the Relator, which, in relevant part, resolved the FCA Action.

3. The documents and agreements that will govern distributions to Holders of Allowed General Unsecured Claims under the GUC Equity Trust, including the GUC Equity Trust Agreement, are required to be filed no later than seven days prior to the Combined Hearing, or April 15, 2024. *See Plan*, at Art. I, ¶ A.273. Objections to confirmation of the Plan are also due on April 15, 2024. *See Dkt. 2482* (order scheduling certain date with respect to confirmation).

4. It is California’s understanding that the GUC Equity Trust will be structured so that beneficiaries of the GUC Equity Trust, such as California, will receive trust interests, rather than a direct distribution of stock. However, given the limitations of the California Constitution and the applicable deadlines in these Chapter 11 cases, California and the Relator are constrained to conditionally object to confirmation of the Plan, solely to preserve their argument that the GUC Equity Trust should not be permitted to make stock distributions to beneficiaries of the GUC Equity Trust. To the extent that the distributions under the Plan and GUC Equity Trust will not require California to be a shareholder of New Rite Aid or own shares of New Common stock, California and the Relator do not object to confirmation of the Plan.

5. Thus, in sum, to avoid waiving any objections to the terms and conditions of the GUC Equity Trust Agreement, or any other governing documents related to distributions under the GUC Equity Trust or Plan, California and Mr. Schmuckley reserves all of their claims and objections to any distribution under the Plan and GUC Equity Trust that would require California to be a shareholder of New Rite Aid or own New Common Stock, in violation of the California Constitution.

Respectfully Submitted,

Dated: April 12, 2024

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CERTIFICATE OF SERVICE

The undersigned certifies that on April 12, 2024, a true and correct copy of the foregoing document was served via the Court's Electronic Case Filing (ECF) system on all parties registered to receive electronic notices in this case.

/s/ Lauren Aranguren

Lauren Aranguren

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